

ELECTRICITY CONSUMER TARRIF FIXATION DIRECTIVE, 2076

Electricity Regulatory Commission has issued following Directives in exercise of the power conferred by the Section 43 of Electricity Regulatory Commission Act, 2074 for the purpose of determining tariff rate in accordance to Section 13 of Electricity Regulatory Commission Act, 2074 and Sub-rule 4 of rule 8 and Rule 9 of the Electricity Regulatory Commission Regulation, 2075,.

CHAPTER 1

PRELIMINARY

1. Short Title and Commencement:

- 1) "This directive shall be called "**Electricity Consumer Tariff Fixation Directives, 2076.**"
- 2) This Directive shall come into force immediately.

2. Definition: Unless the subject or the context otherwise requires, in this Directives:

- a. "**Licensee**" means a person or a corporate body pursuant to Sub-section (b) of Section 2 of the Act.
- b. "**Consumer**" means the person or corporate body consuming electricity.
- c. "**Classification of Consumer**" means the classification by the Licensee of its consumers on the basis of capacity and purpose of electricity used by its customers.
- d. "**Act**" means Electricity Regulatory Commission Act, 2074.
- e. "**Regulatory**" means Electricity Regulatory Commission Regulation, 2075.
- f. "**Directives**" means this Directive.
- g. "**Tariff**" means the cost, fee, charges as such to be paid by the consumers to the Distribution Licensee against the use of electricity service.
- h. "**Tariff Fixation Application**" means the application submitted as per Sub-section 1 of Section 3 of this Directive by the Distribution Licensee to the Commission for determination or review of tariff.

- i. **“Distribution Licensee”** means a person or a corporate body who distributes electricity as per the prevailing law, or a person or a corporate body having a license for the distribution of electricity pursuant to prevailing law.

CHAPTER 2

PROCEDURE RELATING TO TARIFF FIXATION APPLICATION AND ACTION

3. Application for Tariff Fixation:

- 1) The Distribution Licensee shall submit an application in the format prescribed in schedule-1 of Directives along with Rs. 25,000/- for the purpose of tariff fixation or review.
- 2) The Documents to be submitted along with the application of tariff fixation shall be as prescribed in schedule 2. The Commission, if deem necessary, can request to submit additional documents, particulars or reports.
- 3) The application of tariff fixation shall be deemed submitted only if upon submission of all necessary documents, particulars and information as stated in Directives by the Distribution Licensee to the Commission.
- 4) The Commission, on the receipt of an application submitted by the Distribution Licensee for the fixation of tariff, shall approve the application no later than 7 days and provide application number. The date of issuance of application number shall deem to be the date of submission of the application.

4. Proceedings on Application for Fixation of Tariff:

- 1) Public offering and proceedings on application for fixation of tariff shall be as specified in the Act and Regulation.
- 2) The information about the proposed tariff made on the application for fixation of tariff will be published, for at least 2 times, in a national daily newspaper within 7 days from the date of issuing application number. Such notice shall include website link where the application for tariff fixation is kept and illustrate the ways of commenting on application and the deadline for filing comments.

- 3) The Commission, at least one time, shall make public offering about the proceedings on application for tariff fixation and shall give minimum of 2 weeks' time period to the concerned party for submitting any response in relation to the application.
- 4) For the purpose of public offering and response from the concerned party related to an application, all collected documents, particulars and application for tariff fixation shall be kept in the website of the Commission.
- 5) The Commission, while carrying out public offering upon the application for tariff fixation, may cause to carryout discussion on different aspects of the application.

CHAPTER 3

THE PRINCIPLE AND BASIS OF TARIFF FIXATION

5. Directives Principle:

- 1) The Commission shall carry out the proceedings on an application for tariff fixation in accordance to the provisions laid down by the Act and Regulation along with the directive principles stated below:
 - a) Protection of Consumers rights,
 - b) Ensure quality of electricity supply,
 - c) Increment in the professionalism and effectiveness of Distribution Licensee,
 - d) Necessary mobilization of future investment source for improvement in the system,
 - e) Justified consideration to the investment made by the Distribution Licensee.

6. Basis of Tariff Fixation:

- 1) The Commission shall determine tariff on following basis:
 - a) Audit report of last two fiscal years, projected financial details of current year and of upcoming year of Distribution Licensee.

In the absence of audit report of last fiscal year of Distribution Licensee, the certified financial statement by the management of Distribution Licensee may be give taken into consideration.
 - b) In the year when electricity tariff is to be determined, Commission shall carry out detailed examination of annual revenue requirement, inclusive of following estimation and various income and expenditure heads, in financial details of that

fiscal year. Examination shall be carried out in consideration of the financial details stated in Clause (a) of Sub-section 1:

- I. Income generated from selling to individual Classification of Consumer (Classification inclusive of Capacity Demand Charge and energy charge),
 - II. Annual consideration gained from the investment,
 - III. Income generated from other sources,
 - IV. Outcome and cost of electricity as per source of electricity,
 - V. Annual expenditure of electricity production plant (except the depreciation and employee expenses)
 - VI. Annual expenditure of electricity transmission system (except the depreciation and employee expenses)
 - VII. Annual expenditure of electricity distribution system (except the depreciation and employee expenses)
 - VIII. Rate of depreciation and amount,
 - IX. Payment of Interest amount,
 - X. Employee expenses,
 - XI. Annual expenses incurred from main or regional office,
 - XII. Other expenses amount,
 - XIII. Expected annual consideration amount,
- 2) The Commission while fixing tariff, except stated in Sub-section 1, may also consider following basis:
- a) National financial indexes and policy adopted in relation to the development of electricity by the Government of Nepal as well as tariff fixed in the past,
 - b) Incorporation of income of Distribution Licensee in following years to limit applications for excess increment in tariff made by Distribution Licensee,
 - c) Consideration of undersupply received by Distribution Licensee while limiting excess increment in the tariff of subscribed customers and other customers, and consideration of undersupply that may be created for the customer by determination of tariff for such customers.
 - d) If the tariff for the fiscal year is fixed after the fiscal year had already started and if such tariff could not be applied for all twelve years by the Distribution

Licensee, incorporation of the balance amount required to meet annual revenue requirement as regulatory assets in following fiscal year

7. New Tariff to be Applicable:

- 1) Unless new tariff is determined by the Commission in accordance to this Directive, existing tariff shall continue to apply:
- 2) The Commission shall designate the date for tariff implementation while determining the tariff as per this Directive and Distribution Licensee shall apply such tariff while issuing bills to consumer after the date for tariff implementation.
- 3) Unless determined or amended by the Commission, the latest tariff rate fixed by the Commission shall continue to exist.

8. Publication of Tariff: The tariff determined by the Commission in accordance to this Directive shall be published for general public information, in at least two national daily newspapers by the Commission and the Distribution Licensee.

Schedule 1

Applications for Fixation of Tariff and Review

Electricity Regulatory Commission,
Sanogaucharan, Kathmandu.

Entry no.....

Subject no.....

(To be filled by office)

Sir/Madam,

We submit this application pursuant to the decision of board of directors of dated [date] along with necessary particulars and documents for tariff determination for consumers of this corporate body.

1. Full name and address of the applicant:
2. Summary of the application purpose:
(summary of facts of the application, current status of corporate body, future planning as well as strategies and basis to support on following subjects)
 - a) Protection of Consumers rights,
 - b) Ensure quality of electricity supply,
 - c) Increment in the professionalism and effectiveness of Distribution Licensee,
 - d) Necessity for mobilization of sources of future investment for improvement in the system,
 - e) Justified consideration to the investment made by the Distribution Licensee.

Applicant

Signature.....

Name.....

Designation.....

Date.....

Schedule 2

Documentation to be attached with Tariff Fixation Application

- 1) Evidence of fee deposited for tariff fixation application,
- 2) Power of Attorney as per to Schedule 3,
- 3) Detailed description of tariff fixation as per to Schedule 4,
- 4) Audit report of last two fiscal years/certified report from management
- 5) Projected basis and validity of financial details
- 6) Any other information valuable for tariff fixation.

Seven copies of all the documents mentioned above along with their electronic copies are to be submitted and the application for tariff fixation should be in an editable format.

Schedule 3

Power of Attorney

Electricity Regulatory Commission,

Sanogaucharan, Kathmandu

Power of Attorney

We hereby appoint Mr/Mrs to represent, argue and attend on our behalf to the matters related to the application we submitted for tariff fixation.

Applicant

Signature:

Name:

Designation:

Date:

I/ We approve this power of Attorney.

Signature:

Name:

Designation:

Date:

Address of Correspondence:

Annex 4 and remaining part (already available in English)